

**REVENUE MONITORING
2006/07 OUTTURN AND 2007/08 BUDGET
(Report by the Head of Financial Services)**

1 INTRODUCTION

- 1.1 The 2006/07 accounts have now been approved by the Corporate Governance Panel so that they can be audited. This report compares the outturn with the original budget and the forecast outturn and explains the changes that emerged.
- 1.2 It then considers the implications of the outturn, together with any other variations that have been identified at this early stage in the current year.
- 1.3 The final section updates Cabinet on the progress made on the actions being taken to increase the robustness of budget monitoring proposed last year.

2 GENERAL FUND OUTTURN 2006/07

- 2.1 The original budget was based on a deficit of £1.527m (i.e. the sum that would need to be taken from revenue reserves to balance the budget). The forecast reported to Cabinet in April (based on the end of March) anticipated the deficit would become a surplus of £0.692m but at outturn this surplus increased to £1.164m which will be added to reserves, £0.426m to the Delayed Projects Reserve and £0.738 to the General Reserve.
- 2.2 The following table shows how the forecast outturn changed during the second half of the year:

Basis	Reported	Forecast Deficit(-) or Surplus (+) £000
Approved Budget		-1,527
End of September	Cabinet October	-1,095
	MTP/Budget Report November	-1,028
End December	Cabinet January	-1,173
End January	Officer monitoring (mid-February)	-158
End February	Officer monitoring (mid-March)	+228
End March	Officer monitoring (mid-April)	+543
Early April	Cabinet April	+692
OUTTURN		+1,164

- 2.3 The variations between the April Cabinet report and the Outturn amounted to £472k this year compared with £ 1,220k last year, which is a considerable improvement on forecasting accuracy.

2.4 The changes between the Approved Budget and the Outturn are summarised in the table below which also highlights the changes that emerged after the April Cabinet report:

	Expenditure	Income	Recharge to capital	Net Expenditure
	£000	£000	£000	£000
Original Budget	59,421	-40,334	-782	18,305
Less reimbursed expenditure	23,788	-23,788		0
Delayed Projects brought forward from 2005/06	139			139
Supplementary estimates				
Adjusted Total	35,772	-16,546	-782	18,444
Variations reported to April Cabinet	-1,138	-834	-386	-2,358
Post April Cabinet Report				
Public conveniences cleaning and repairs	-35			
Community safety – additional Police contribution		-12		
Car park extra income and delayed survey	-25	-10		
Development control increased income		-20		
Leisure Centres increased contribution from Cambridgeshire CC		-56		
Leisure Centres additional income from increased attendances since January 07		-100		
Saving on Mobile Home Park reinstatement	-22			
Housing benefits additional grant		-60		
Refund of NNDR met by the NNDR Pool which was not budgeted for	-140			
Printing Services additional income		-43		
Insurance claim – advised by Auditors to charge to 2006/7	177			
Investment income recharged to the S106 holding account offset by additional recharge to non- revenue accounts	-100	100		
Additional recharge to non-revenue accounts	-25			
Other variations	-101			
	-271	-201		-472
Total variations	-1,409	-1,035	-386	-2,830
	-3.9%	-6.3%		
Net spending				15,614

FUNDING	
Government Support	-10,891
Collection Fund adjustment	74
Council Tax	-5,961
Surplus taken to reserves	
Delayed Projects	426
General Reserve	738
	-15,614

2.5 Last year's report explained the elements of the budget used for budget monitoring. These were:

- The various Management Units and Overhead accounts where most office based staff and their related costs are first charged to before they have to be allocated to particular services. e.g. costs of running Pathfinder House, the salary costs of the planning division.
- The element of these costs that is recharged outside the Revenue Account – mainly to capital schemes.
- The direct expenditure and income relating to services. e.g. payments for concessionary fares, income for land charges.

2.6 Annex A shows the outturn results at these various levels.

2.7 Once all the various recharges that are required by the Accounting rules are carried out the financial results at service level emerge. These are shown at Annex B together with comments covering the main variations.

2.8 All variations will be discussed by Directors with their Heads of Service in order to further clarify any impact in the current year.

3. REVENUE MONITORING 2007/08

3.1 Various practical issues limit the amount of budget monitoring that can take place in April and May. These include:

- the fact that the accountancy section have to work to tight deadlines to have the final accounts completed so the Corporate Governance Panel can approve them for audit by the end of June.
- The various adjustments between financial years so that, for example, goods received by 31 March are charged to the old year even though they will be paid for in the new year, make it difficult to interpret true spending for the current year until all these old items have been paid.
- The difficulty of making assumptions from a short period of evidence.

3.2 This first budget monitoring report for 2007/08 is, therefore, more of an introduction and sets the scene for the coming year by highlighting some of the elements that will be examined in coming weeks because they may have a significant impact.

3.3 The table below is the first element of this process and highlights the adjustment for Delayed Projects brought forward, the adjustment to exclude the reimbursed items and the few minor variations identified.

	Expenditure	Income	Recharge to capital	Net Expenditure
	£000	£000	£000	£000
Original Budget	64,110	-43,611	-965	19,534
Delayed Projects brought forward from 2006/07	564			564
Less reimbursed expenditure (housing benefits)	-26,853	26,853		
Adjusted Total	37,821	-16,758	-965	20,098
Forecast Variations				
Additional housing benefits grant		-60		-60
Total variations		-60		-60
		-0.4%		
Forecast net spending	37,821	-16,818	-965	20,038

FUNDING	
Government Support	-11,649
Collection Fund adjustment	-7
Council Tax	-6,313
General Reserve	-1,505
Delayed Projects Reserve	-564
TOTAL	20,038

- 3.4** Outturn reports were distributed to Heads of Service and Directors in June and discussion of the results will lead to discussion of any areas where variations are likely to emerge again this year. Reference was also made at the last Cabinet meeting to the Workshop being held on the creation of 5 year plans. The first stage of this work will be completed by the end of July and this will also consider any significant differences between the 2006/07 outturn and the current year's budget.
- 3.5** Interest earnings will need to be reviewed in the light of the capital deferrals from 2006/07 and the possibility of rates exceeding the assumptions included in the budget.
- 3.6** The Council should be receiving another LABGI grant later in the year but the amount may not be known until January 2008.
- 3.7** The budget includes various contingencies that either allow the funding of unexpected costs or require savings to be achieved. The following table lists these:

Contingencies	Amount		Comment
	Revenue	Capital	
	£000	£000	
General	140		To cover unexpected events
Turnover and increments for performance	-414		Saving on employee costs arising from vacancies and staff being replaced at lower points on grades.
Recharges to Capital	-153		The capital programme assumes that an additional £153k employee costs will be recharged to capital. £44k has already been identified
Capital deferral to 2008/09		1,000	The capital programme assumes that there will be deferral of £1m to 2008/09.
Savings	-136		General level of other savings assumed in the budget but not yet identified
Costs of the Call Centre	-123		Costs of the Call Centre not yet agreed as savings in service budgets

3.8 Any variations that emerge during the current year will first have to be set against any relevant contingency item before a net variation can emerge. Reports will therefore need to show progress on achieving these items.

3.9 Annex C reports on debts written off in the last period – previously a separate report on the Cabinet agenda.

4. MONITORING PROCESS

4.1 Last year's report identified some proposed actions to improve the standard of budgetary control in the light of the large variation between the April 2006 Cabinet report and the 2005/06 outturn and the expectation that the Council will in future years need to have more rigorous monitoring as reserves reduce.

4.2 Annex D shows the items together with comments on what has been achieved to date.

4.3 There is however still a cultural issue whereby service managers have a reluctance to predict that under or over spending is likely

5. CONCLUSION

5.1 The Council has been successful in not needing to use its reserves to fund last year's revenue spending. Indeed it has been possible to add to reserves giving increased flexibility for the future.

- 5.2 This was possible due to a combination of additional income, good management, efficiency improvements and an element of good fortune.
- 5.3 All budgets that were not fully utilised will be discussed between Heads of Service and Directors to identify any areas where budgets could be permanently reduced and/or transferred to higher priorities.
- 5.4 Significant effort has gone into improving the timeliness and accuracy of the monitoring process and there have been definite improvements on last year. However there is still a need to build on this with even more realistic judgements earlier in the year so that more of the impact can be built into the Councils financial planning process.
- 5.5 Other than the delayed projects being brought forward which will be funded from the reserve set up for this purpose, no major items have emerged in the current year. It should be noted that there are now additional contingency items in the budget that will have to be covered before a net spending variation emerges. Future reports will set emerging items against the relevant contingency.

6. RECOMMENDATION

- 6.1 The Cabinet is requested to:
- note the variations summarised in this report relating to 2006/07
 - note the comments relating to 2006/07
 - note the action that has been taken and is planned to enhance the budget monitoring process.

BACKGROUND INFORMATION

- 1 2006/07 Budget File
2 2006/07 Closedown Files

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Outturn for Internal and Direct Services and Recharges

	Original Budget £000	Updated budget £000	Outturn £000	Outturn variation from updated £000	
Internal Services					
Central Services Directorate					
Director	137	137	139	2	
Administration	1,656	1,472	1,332	-140	Printing & copying -£50k, Estimated phone charges -£13k, Salaries and overtime -£46k. Leisure Centre Business Generation -£21k Salaries -£37k. Additional income -£14k
Legal and Estates	423	423	362	-61	
HR and Payroll	611	723	711	-12	
Policy	403	450	489	39	Salaries funded from external income +£37k
	3,230	3,205	3,033	-172	
Commerce and Technology Directorate					
Director	126	111	115	4	
Revenues and Benefits	2,175	2,238	2,193	-45	Reduced debt chasing -£20k. Relief cashiers -£7k. Postage -£23k
IMD	2,440	2,484	2,296	-188	Deferring replacement of PCs -£54k. Equipment maintenance -£34k. Deferred appointment of staff -£100k
Financial Services	1,498	1,415	1,375	-40	Upgrading FMS deferred -£10k. Salaries -£23k.
	6,239	6,248	5,979	-269	
Operational Services Directorate					
Director and Operations Management	298	301	286	-15	Training -£5k. Salaries -£8k
Environmental and Community Health	1,484	1,376	1,306	-70	Vacancies -£49k. Car allowances -£9k. Equipment -£9k
Technical Services (including offices)	2,042	2,029	1,725	-304	NNDR on PFH -£168k. R and R fund contribution -£57k. Staff vacancies -£50k. Overtime -£11k. Training -£13k
Operations	1,872	1,914	1,955	41	Grounds maintenance: vehicle maintenance +£25k and hired staff +£12k
Housing Services	983	928	884	-44	Staff savings -£20k. Additional income -£8k. Travel expenses -£5k

	Original Budget £000	Updated budget £000	Outturn £000	Outturn variation from updated £000	
Planning Services	1,822	2,028	1,870	-158	Vacancies -£60k. Schemes funded by planning development grant slipped -£75k
INTERNAL SERVICES	8,501	8,576	8,026	-550	
	17,970	18,029	17,038	-991	
Recharges outside Revenue Account	-1,407	-1,303	-1,858	-555	
Direct Services					
Environmental Services					
Refuse Collection	1,991	2,007	1,843	-164	Reduced vehicle maintenance due to new fleet -£153k
Recycling	400	265	216	-49	Defra grant -£68k. Recycling credits -£27k. Increased gate fees +£14k. Reduced paper/glass income +£19k
Drainage & Sewers	384	386	329	-57	Drainage Board levies -£23k. Reduced response maintenance -£35k
Public Conveniences	209	228	171	-57	Savings on repairs due to capital projects -£30k. Town Council agency ended -£10k. Electricity and water -£15k
Environmental Health	233	218	196	-22	Private housing survey -£10k. Legal fees -£10k
Closed Churchyards	25	23	0	-23	Survey provided free of charge by Insurers -£15k. Works delay because awaiting permission from Church Commissioners -£10k
Street Cleaning & Litter	907	880	834	-46	Saving on equipment and supplies -£25k. Increased income -£14k. Reduced vehicle maintenance costs -£9k
	4,149	4,007	3,589	-418	
Planning					
Development Control	-703	-620	-748	-128	Increased fee income -£43k. Consultants -£36k. Schemes funded by planning development grant slipped -£47k
Building Control	-462	-462	-466	-4	
Planning Policy & Conservation	360	378	317	-61	Rural regeneration schemes -£21k. Schemes funded by planning development grant slipped -£35k
Markets	-175	-175	-142	33	Consultancy fees for Farmers' Markets +£12k. Advertising +£8
Economic Development	-1,138	-923	-938	-15	

	Original Budget £000	Updated budget £000	Outturn £000	Outturn variation from updated £000	
Direct Services (continued)					
Tourism	297	321	360	39	Employees pay +£45
Planning Delivery Grant	163	-661	-658	3	
	-1,658	-2,142	-2,275	-133	
Community Services					
Corporate Events	46	31	18	-13	Reduced spending on leisure grants -£20k
Countryside	389	373	388	8	
Community Initiatives	408	419	416	-3	
Parks	16	5	0	-5	
Leisure Policy	215	253	236	-17	Leisure and Arts development projects delayed -£12k
Leisure Centres	1,074	1,070	946	-124	Increased income -£130. Increased contributions from partners -£106k. Staff savings -£104k. Increased costs: NNDR +£57k, fuel +£41k, maintenance +£47k. Irrecoverable VAT +£87k
	2,148	2,151	2,004	-154	
Community Safety	798	689	633	-56	Vacancies -£35k. Consultants -£6k. CCTV mobile running costs -£5k.
Housing Services					
Housing Services	1	79	-25	-104	Choice based lettings scheme -£6k; Mobile home park reinstatement works slipped -£35k and lower costs -£40k. Income -£23k.
Private Housing Support	-12	-7	-9	-2	
Homelessness	207	207	185	-22	Provision for bad debts -£10k. Cost of hostel support -£9k
Housing Benefits	-599	-566	-585	-19	Subsidy -£19k
	-403	-287	-434	-147	
Highways & Transportation					
Transportation Strategy	120	139	94	-45	Transfer to capital expenditure -£10. Cycle routes maintenance -£15k. Environmental projects -£12k. Consultants -£5k
Public Transport	512	685	654	-31	Rephasing of Huntingdon Bus Station survey -£26k. Cleaning -£5k

	Original Budget £000	Updated budget £000	Outturn £000	Outturn variation from updated £000	
Direct Services (continued)					
Highways Services	-6	31	47	16	Street name plates +£15k
Car Parks	-617	-676	-669	7	
Environmental Improvements	35	35	36	1	
	44	214	162	-52	
Corporate Services					
Local Taxation & Benefits	-575	-643	-934	-291	Refund of NNDR refund -£140k. Increased recovery of court fees -£106k. Income for council tax benefits -£51k
Corporate Management	731	691	667	-24	Audit fees -£37k
Democratic Representation	533	525	510	-15	Discretionary spending by Overview & Scrutiny -£5k
Central Services	-465	-336	-351	-15	Land Charges income £46k, Premises Licence income -£29k, Taxi survey deferred -£20k,
	224	237	-108	-345	
Other Expenditure					
Contingency	-798	-156	-3	153	Turnover contingency +£283k. General contingency -£140k
Other Expenditure	142	-2	0	2	
Investment Interest	-2,824	-2,865	-2,864	1	
	-3,480	-3,023	-2,867	156	
DIRECT SERVICES	1,822	1,846	704	-1,142	
Mesothelioma claim	0	0	177	177	Expected recovery from Insurers, but charged to revenue in 2006/7
Other adjustments	-80	0	40	120	Reduced commutation transfer
Total	18,305	18,492	16,101	-2,391	
Funded from:					
Government support	-10,891	-10,891	-10,891	0	
Council tax	-5,961	-5,961	-5,961	0	
LABG	0	0	-487	-487	
Collection fund deficit	74	74	74	0	
Reserves	-1,527	-1,714	1,164	2878	
	-18,305	-18,492	-16,101	2,391	

Service Spending 2006/07		Budget	Actual	Variation	Reason
	£'000	£'000	£'000	£'000	
Refuse Collection	3,683	3,387	-296	Reduced vehicle maintenance due to new fleet -£153k. Reduced recharge from Call Centre -£84k. Waste disposal at Buckden -£47k	
Recycling	872	688	-184	Defra grant -£68k. Recycling credits -£27k. R and R contribution -£28k	
Street Cleansing & Litter	1,390	1,304	-86	Call Centre recharge -£29k. Saving on equipment and supplies -£25k. Increased income -£14k	
Drainage & Sewers	589	477	-112	Drainage Board levies -£23k. Reduced levels of response maintenance -£35k. Reduced recharges -£48k	
Public Conveniences	278	255	-23	Savings on repairs due to capital projects -£30k	
Environmental Health	1,816	1,667	-149	Staff vacancies and overtime -£92k. Private housing survey -£10k. Police stray dogs' service not transferred to HDC -£15k. Legal fees -£10k	
Closed churchyards	31	6	-25	Delay by Church Commissioners in completing survey, and funded by loss control contribution from Insurance Company -£25k	
Environmental Services	8,659	7,784	-875		
Development Control	1,152	1,044	-108	Reduced central recharges -£61k. Increased fee income -£43k	
Building Control	255	294	39	Increased central recharges +£11k. Additional costs not chargeable to fee account +£31k	
Planning Policy & Conservation	1,211	1,250	39	Increased staffing funded from Planning Delivery Grant +£70k. Saving on Conservation Grant -£35K	
Markets	-69	-36	33	Consultancy fees for Farmers' Markets +£12k. Advertising +£8	
Economic Development	300	155	-145	Reduced capital charges -£421k. Reduced rent income +£172. Oak Tree Health Centre costs +£67k	
Tourism	436	485	49	Increased costs of managing Tourism +£54k	
Planning Delivery Grant	163	-658	-821	Additional grant -£102k. Grant allocated to fund services -£474k. Changed accounting treatment of previous year's grant -£255k	
Planning	3,448	2,534	-914		
Corporate Events	220	117	-103	Reduced capital charges -£78k. Reduced spending on leisure grants -£20k wired to Community Initiatives grants	
Countryside	540	575	35	Increased capital charges +£32k	
Community Initiatives	842	811	-31	Reduced capital charges -£117k. Increased central recharges +£48k. Increased grant to St Barnabus project +£25k	
Parks	1,618	1,612	-6	Reduced capital charges -£43k. Additional income from CCC -£20k. Increase in grounds maintenance recharge to service +£55k	

Leisure Policy	405	355	-50	Reduced recharge form saving in Head of Community Services post -£72k
Leisure Centres	3,269	3,166	-103	Increased income -£130. Increased contributions from partners -£106k. Staff savings -£104k. Increased costs – NNDR +£57k, fuel +£41k, building maintenance +£47k. Irrecoverable VAT +£87k
Community Services	6,894	6,636	-258	
Community Safety	1,185	1,089	-96	-£110k transfer of PCSOs to Police
Housing Services	643	597	-46	Choice based lettings scheme -£6k. Reduced capital charges -£6k
Private Housing Support	3,216	2,539	-677	Reduced capital charges -£667k
Homelessness	614	474	-140	Reduced central recharges -£113k
Housing Benefits	759	655	-104	Increased subsidy -£58k. Increased admin subsidy -£31k. Reduced central recharges -£30k
Housing Services	5,232	4,265	-967	
Transportation Strategy	1,032	488	-544	Reduced capital charges -£469k. Staff savings -£45k
Public Transport	618	806	188	Concessionary fares +£155. Increased recharges +£40k
Highways Services	74	91	17	Street name plates +£15k
Car Parks	17	-170	-187	Increased income -£55k. Car park survey cf -£25k. Reduced recharges -£96k
Environmental Improvements	639	620	-19	AJC small scale improvements -£48k. Increased recharges +£25k
Highways & Transportation	2,380	1,835	-545	
Local Taxation & Benefits	1,061	862	-199	Refund of NNDR refund -£140k. Increased recovery of court fees -£106k. Increased recharges +£43k.
Corporate Management	2,334	1,812	-522	Central recharges including the Call Centre reviewed during the year and allocated to services -£458k
Democratic Representation	1,145	1,058	-87	Reduced central recharges -£64k
Democratic Services	237	364	127	Reduced land charges income +£187. Taxi survey -£20k. Increased licence fee income -£37k
Corporate Services	4,777	4,096	-681	
Contingency	-694	-3	691	Savings contingency allocated to services +£651
Financing Adjustments and Other Expenditure	-10,790	-9,285	1,505	Reversal of items in service accounts - saving on capital charges in service spending +£2,187; increased pensions liability -£684k. Reduction in commutation adjustment +£120k. Irrecoverable VAT allocated to services -£293. Insurance claim +£177k.
Investment Interest	-2,786	-2,850	-64	Increased net interest received -£64
Other Expenditure	-14,270	-12,138	2,132	
Council Total	18,305	16,101	-2,204	

AMOUNTS COLLECTED AND DEBTS WRITTEN OFF

	April to 15 June 2007			
	Collected	Amounts written off		
		up to £4k	over £4k	TOTAL
Type of Debt	£000	£000	£000	£000
Council Tax	19,711	11.0	0.0	11.0
NNDR	15,364	12.2	0.0	12.2
Sundry Debtors	1,271	6.3	0.0	6.3
Excess Charges	31	1.7	0.0	1.7

Collected

The total amount of payments received, less customer refunds and transfers to other debts.

Amounts written off

Whilst these amounts have been written-off in this financial year, much of the original debt would have been raised in previous financial years.

Authority to write off debts

The Head of Revenue Services is authorised to write-off debts of up to £4,000, or more after consultation with the Executive Councillor for Finance, if she is satisfied that the debts are irrecoverable or cannot be recovered without incurring disproportionate costs. The Head of Financial Services deputises in her absence.

ACTIONS PROPOSED TO IMPROVE FINANCIAL MONITORING

- 1 COMT have stressed to Chief Officers and Heads of Service their accountability for financial management as stated in the Code of Financial Management. **Pre June 2006**

- 2 Directors will have regular review meetings with each of their Heads of Service to discuss the potential for under and over spending on both revenue and capital spending. These meetings will be at least quarterly, more frequently for more complex services (e.g. leisure, operations, IMD), and will also be attended by a senior financial manager. **November 2006**

- 3 Accountancy will introduce more robust systems to keep detailed track on:
 - recharges from revenue to capital. **System in place January 2007**
 - forecast interest earnings. **Commenced July 2006**
 - achievement of turnover assumptions. **Planned for September 2007**
 - aggregate variations (i.e. items that are not significant on individual budgets that may aggregate to a significant item when considered over the whole Council. **Commenced November 2006**

- 4 Accountancy will also introduce the following items already planned as part of the Use of Resources response:
 - A risk assessment to ensure all significant items are adequately covered. **Further refinement ongoing.**
 - Bringing forward, later this year, the production of monitoring statements to within ten working days of the end of the month. **Commenced August 2006**
 - Introducing new reports for COMT and developing reporting to Cabinet members. **New reports for COMT commenced November 2006. Format for Executive Councillor reports to be discussed with Executive Councillor for Finance during July.**